

M e m o r a n d u m

To: Panel Members Date: April 29, 2005

From: Diana Torres, Manager Analyst: R. Negrete

Subject: One-Step Agreement for **CYTEC ENGINEERED MATERIALS INC.**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Developed Jointly By Management And Workers Moving To A High Performance Workplace, Promotion Of California's Manufacturing Workforce, Stimulating Exports/ Imports
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
 - *Worldwide:* 7,600
 - *In California:* 388
- ETP Trainees Represented by Union: Yes
- Name and Local Number of Union Representing ETP Trainees: International Association Of Machinists And Aerospace Workers, District Lodge No. 725
International Brotherhood Of Teamsters, General Truck Drivers, Office, Food And Warehouse Union, Local No. 952

CONTRACT:

- Program Costs: \$238,680
- Substantial Contribution: \$0
- Total ETP Funding: \$238,680
- Total In-kind Contribution: \$337,000
 - *Trainee Wages Paid During Training:* \$322,000
 - *Other Contributions:* \$15,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Orange

INTRODUCTION:

Cytec Engineered Materials Inc. (Cytec), a division of Cytec Industries, Inc. operates three manufacturing facilities in Anaheim and Orange, California, the sites of the proposed training. Cytec manufactures a variety of advanced materials for aerospace and other industries for a global customer base.

Cytec qualifies for standard Employment Training Panel (ETP) funding as an industrially classified manufacturer facing out-of-state competition that under Title 22 California Code of Regulations, Section 4416(b).

This is Cytec's second ETP funding proposal to the Panel in the last five years. Cytec proposes to retrain 255 full-time production workers, engineers and supervisory employees to continue the adaptation to a high performance workplace begun in its first ETP project. ETP-funded training is expected to result in improved production efficiencies and customer service that will enable the Company to remain viable as a California aerospace supplier.

MEETING ETP GOALS AND OBJECTIVES:

Cytec Engineered Materials Inc. proposes training that will further the following ETP goals and objectives:

1. The proposed training was developed in cooperation with the International Association of Machinists and Aerospace Workers, District Lodge No. 725, and the International Brotherhood of Teamsters, General Truck Drivers, Office, Food and Warehouse Union, Local No. 952 who have submitted written support for this proposal. Therefore, this project meets ETP's legislative mandate of funding projects that support joint labor union and employer training ventures.
2. The training will enable Cytec, an aerospace supplier, to improve operating efficiencies that will stimulate exports. Therefore, this project meets ETP's legislative mandate to stimulate exports in industries threatened by out-of-state competition.
3. Training will support the Company's goal of continuing to adapt to a high performance workplace by implementing a lean manufacturing process.
4. Cytec is an aerospace supplier; therefore, the proposed training will promote the retention of the state's manufacturing workforce.

TRAINING PLAN TABLE:

Trainee Type	Types Of Training	No. Retain	No. Class/Lab Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainees	Menu Curriculum: Continuous Improvement Manufacturing Skills	255	24 - 120	-0-	\$936	\$13.28 - \$38.94
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> Although Cytec provides health benefits for employees, the hourly contribution is not being used to meet the ETP minimum hourly wage of \$12.37 per hour for Orange County.					<u>Turnover Rate</u> 8%	<u>% Of Supervisors To Be Trained:</u> 6%
<u>Other Employee Benefits:</u> vacation leave, sick leave, 401 (k) program, life insurance, accidental work-related/dismemberment insurance, profit sharing program						

COMMENTS / ISSUES:

➤ *Frontline Workers*

Ninety-four percent of the proposed retrainees in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee). There are 16 supervisors (six percent) included in the training plan.

➤ *Production During Training*

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

PROPOSED ACTION:

Staff recommends that the Panel approve this Agreement, if funding is available, and the project meets the Panel priorities.

NARRATIVE:

Cytec Engineered Materials is a manufacturer of advanced materials for the aerospace industry. Company products include advanced composites, adhesives, ablative materials, thermoplastic materials, primers, firewall sealants and extrusion products. Non-aerospace products include parts for Formula 1 racing and America's Cup yachts and hockey sticks (Easton). Principal customers include Boeing, Lockheed-Martin and Northrop Grumman, and ATK. Company customers are located in the United States, Canada, Europe, Asia, South America and Australia.

According to company representatives, as an aerospace supplier, Cytec must continue to adapt to change and respond to customer demands for lower product prices while maintaining product quality standards. In January, 2005, Cytec conducted an internal audit and found that company production processes still needed to improve in areas such as "first-time right" and reduced scrap/waste to remain competitive as an aerospace supplier. In response to the findings of an internal audit, Cytec determined that it was ready to implement the second phase of its effort to adapt to a high performance workplace. ETP-funded training in this second project will build on the foundation established in the first ETP project, and will provide a more detailed focus incorporating quality initiatives in company manufacturing processes.

In addition, the anticipated ramp-up of the Joint Strike Fighter (JSF) program will require that employees be trained to meet more stringent quality standards. The expected outcomes for this second ETP-funded training proposal are a 10 to 15 percent reduction in quality returns, improved first-time-right rate and a 40 percent reduction in out-of-specification materials. Completing the adaptation to a high performance workplace will enable the company to create a highly skilled and flexible workforce that will be more productive, that can address customer quality demands, and implement improved manufacturing techniques.

NARRATIVE:

ET03-0261

The first ETP project enabled Cytec to begin its adaptation to a high performance workplace. The primary focus was to introduce continuous improvement and lean manufacturing. Specific topics included variation and the Six Sigma, team building and problem-solving techniques, and business and finance training for administrative staff. Supervisors and engineers were provided training in the basics of establishing a functional training program and incorporation of a continuous improvement culture among all employees. Manufacturing Skills training focused on the development of a second shift of resin coating operators that doubled the company's capacity to film resin, and the implementation of quick changeover processes in the company's solution coating lines at the Orange plant. ETP-funded training in the first phase enabled retrainees to make fact-based decisions regarding process performance at the lower levels of the organization, which have improved the production process.

Of the proposed 255 proposed trainees, 215 trainees were trained and retained in the first ETP project where the training focus was primarily on the continuous improvement core. In this second ETP project, trainees will be provided manufacturing skills training, with the aim that each operations worker will receive training in at least two operational areas. Of those who participated in manufacturing skills training in the first contract, their training will include advanced skills training in line with anticipated improvements in production processes. In addition, all trainees will be provided "instructional communication" and visual workplace implementation training.

Cytec management and training staff have developed a menu curriculum consisting of 24 - 120 hours of continuous improvement and manufacturing skills class/lab training for 255 frontline workers, engineers and supervisory employees. Training topics will include:

Continuous Improvement training will be provided to new employees hired since the first ETP contract, and to employees whose jobs have changed and now require high performance workplace training. Continuous improvement training will also expand the lean manufacturing focus, including Total Productive Maintenance (TPM) training. Continuous improvement leadership training will be provided to supervisors and engineers and operations employees who will lead continuous improvement events/efforts. Leadership training will emphasize executing for results, managing change, influencing the business, and a thorough knowledge of the processes and capabilities of departments. The training will enable the Company to achieve the greatest possible efficiencies in the production process.

Manufacturing Skills training will coincide with the implementation of "instructional communication", which provides a thorough understanding all aspects of machine operation, the intent and content of operating procedures and work instructions, as well as the use of 5S and visual controls to enhance production operations. This new job skill will ensure that Cytec has a skilled and flexible workforce to support more efficient production processes.

Supplemental Nature of Training

State law requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs.

Cytec company-funded training has focused on job-related skills training, most of it provided as on-the-job training. Cytec normally provides 28 - 40 hours of training a year in new and transferred employee orientation, safety, basic computer skills training, and a tuition reimbursement program. Corporate training is also provided through Cytec U program, a web-based training program. Annual company expenditures for employee training is approximately \$35,000,

The proposed ETP-funded training in this second ETP project will enable Cytec to address customer quality and cost demands, as well as complete the implementation of lean enterprise implementation. Without ETP funding, Cytec could not devote the needed resources to provide this mission-critical training. The proposed training is in addition to the Company's current training and an expansion of the first ETP project and is designed to address new job skill requirements in implementing a lean manufacturing process. Cytec representatives state that ETP funding will enable the Company to complete the adaptation to a high performance workplace, which will enable Cytec to reach its corporate productivity and quality goals.

SUBCONTRACTORS:

N/A

THIRD PARTY SERVICES:

Applicant staff reported that consultant services were not used in the development of the Application.

ACTIVE PROJECTS:

The following are current project statistics:

ACTIVE PROJECTS						
Agreement Number	Agreement Amount	Term	Planned Number To Be Retained	Number Enrolled	Number Completed Training	Number Retained For 90 Days
ET03-0261	\$217,672	3/10/03 – 3/9/05	322	310	268	268*

* The Contractor has not submitted the closeout invoice for this Agreement. Company representatives report that 268 trainees (83 percent) completed the minimum required class/lab training hours and the 120-day employment retention period within the term of the Agreement. If all trainees are approved for payment, Cytec will earn \$157,000 (72 percent) of the encumbered Agreement amount. Company representatives report that the in-kind contribution was \$246,076.

CYTEC ENGINEERED MATERIALS INC.
MENU CURRICULUM

<u>Hours</u> <u>Class/Lab</u> 24 -120	<p>Trainees will be provided any of the following:</p> <p><u>CONTINUOUS IMPROVEMENT</u></p> <p>The Need for Continuous Improvement Customer Satisfaction Variation and the Six Sigma Approach to Improvement Value and Adding Value Quality and Cost of Quality Teams and Problem-solving Financial Performance of the Business (Zodiak) Lean Enterprise Implementation - Techniques and Tools Developing Lead Person Skills Capital Project Management Total Productive Maintenance (TPM) Implementing ISO-9001 Quality System Implementing 5S and Visual Controls Leading Your Department's Training Initiatives Developing Training Skills Lean Team and Event Leadership Leadership Impact (Impact 5)</p> <p><u>MANUFACTURING SKILLS</u></p> <p>Production Methods in Solution Operations Production Methods in Hot Melt Operations Production Methods in Thermoplastic Operations Production Methods in Mixing and Coating of Resin Mechanical Test Methods Physical (In-Process) Test Methods Maintenance Methods/Equipment Servicing</p>
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Patrick D. Kelly
Secretary-Treasurer and
Principal Officer

LOCAL UNION NO. 952

GENERAL TRUCK DRIVERS, OFFICE, FOOD & WAREHOUSE UNION

140 S. Marks Way • Orange, CA 92868-2698 • (714) 978-6111 • FAX (714) 978-0576 • www.teamsters952.org

ET05-0309

March 22, 2005

Employee Training Panel
Application Review Unit
1100 J Street, Fourth Floor
Sacramento, California 95814

ETP Reference: 05-0232

To Whom It May Concern:

I have reviewed the training for which Cytec Engineered Materials Inc. is requesting ETP funds. Based upon my review, and with the understanding that the training process shall not violate any provisions of the Collective Bargaining Agreement, Teamsters Local 952 supports the proposed ETP training project for its members working at Cytec Engineered Material Inc.

In you need any further information, please do not hesitate to contact me at (714) 740-6248.

Sincerely,

Bernie J. Ostrander, Sr.
Business Representative
Teamsters Local 952

BJO:df

cc: Tim James

Affiliated with the International Brotherhood of Teamsters



**LODGE
725***International Association of Machinists and Aerospace Workers*

1512 E. Holt Blvd., Ontario, CA 91761
(909) 986-6618 • FAX (909) 986-1190

*ET05-0309*

15 March 2005

Employment Training Panel
Application Review Unit
1100 J Street, Fourth Floor
Sacramento, CA 95814

To Whom It May Concern:

I have reviewed the training for which Cytec Engineered Materials, Inc., is requesting ETP funds. Based on this review, the Union supports the proposed ETP training project for its members working at Cytec Engineered Materials, Inc.

Sincerely,

Al Rosales
Al Rosales
Business Representative

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